Candy Club Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Candy Club Holdings Limited
ACN:	629 598 778
Reporting period:	For the half-year ended 30 June 2020
Previous period:	For the half-year ended 30 June 2019

2. Results for announcement to the market

				US$
Revenues from ordinary activities	up	24.60%	to	3,417,716
Loss from ordinary activities after tax attributable to the owners of Candy Club Holdings Limited	up	2.38%	to	(2,492,608)
Loss for the half-year attributable to the owners of Candy Club Holdings Limited	up	2.38%	to	(2,492,608)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to US$2,492,608 (30 June 2019: US$2,434,669).

As announced on 8 July 2020, during the current half year the board have opted to change the presentation currency to US dollars, because it is the consolidated entity's functional currency and better reflects its financial performance and position. It is also the currency used by the board to measure and assess the consolidated entity's performance. Refer to note 1 for an explanation of impact of this change.

3. Net tangible assets/ (liabilities)

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.15)	(0.70)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Candy Club Holdings Limited for the half-year ended 30 June 2020 is attached.

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12. Signed

Signed ____________________________ Date: 31 August 2020

Keith Cohn
Executive Director

Candy Club Holdings Limited

ACN 629 598 778

Interim Report - 30 June 2020

Candy Club Holdings Limited
Corporate directory
30 June 2020

Directors	Mr Keith Cohn (Executive Director) Mr James Baillieu (Non Executive Chairman) Mr Andrew Clark (Non Executive Director) Mr Chi Kan Tang (Non-Executive Director)
Company secretary	Mr Justyn Stedwell
Registered office	Suite 103, Level 1 2 Queen Street Melbourne VIC 3000, Australia
Principal place of business	5855 Green Valley Circle Suite 101 Culver City, CA 90230
Share register	Automic Group Level 5, 126 Phillip Street Sydney NSW 2000, Australia
Auditor	HLB Mann Judd (Vic) Partnership Level 9, 575 Bourke Street, Melbourne VIC 3000, Australia
Solicitors	Moray & Agnew Lawyers Level 6, 505 Little Collins Street, Melbourne VIC 3000, Australia
Stock exchange listing	Candy Club Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: CLB) Candy Club Holdings Limited options are listed on the Australian Securities Exchange (ASX code: CLBO)
Website	https://www.candyclub.com
Corporate Governance Statement	https://www.candyclub.com

Candy Club Holdings Limited
Directors' report
30 June 2020

The directors present their report, together with the interim financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Candy Club Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

Directors
The following persons were directors of Candy Club Holdings Limited during the half-year and up to the date of this report, unless otherwise stated:

Keith Cohn
James Baillieu
Chi Kan Tang
Andrew Clark

Presentation currency
As announced on 8 July 2020, during the current half year the board have opted to change the presentation currency to US dollars, because it is the consolidated entity's functional currency and better reflects its financial performance and position. It is also the currency used by the board to measure and assess the consolidated entity's performance. Refer to note 1 for an explanation of impact of this change.

Principal activities
During the half-year the principal continuing activities of the consolidated entity consisted of:
- online and business to business candy distribution in the United States.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to US$2,492,608 (30 June 2019: US$2,434,669).

Despite the devastating impact of the worldwide global COVID-19 pandemic on many businesses throughout the United States, Candy Club achieved revenue from sales in the six months ended 30 June 2020 of $US 3,417,716.

In the first half of 2020, Candy Club's strategic B2B division saw revenue grow to $US 2,254,004, an increase of 425% over the same period in 2019.

The total number of doors grew from 4,500 to 8,800 during this period while customers reordered at a 90% rate from quarter to quarter.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Impact of COVID 19 pandemic
During the current financial half-year the COVID 19 pandemic had a significant impact on the global economy. In response to the pandemic, the US, state and local governments announced a series of measures aimed at preventing the spread of COVID-19 ("measures"), which had the subsequent effect of impacting the state of the US economy (i.e. impact on supply chain, customers, availability of finance, consumer confidence, etc).

In addressing and implementing the necessary changes to ensure Candy Club comply with these measures, the Board implemented, amongst others, the following:

- Enacting Candy Club’s stated business continuity plan of enabling all consolidated entity employees, including head office and sales staff, to work remotely, until further notice;
- To date, no business interruptions have occurred in either the consolidated entity's warehousing and distribution center operations, located primarily in Indiana, nor in its supply chain of core product or packaging vendors, as we and our facility are classified as a food manufacturer and currently considered “essential critical business infrastructure”; given the fluidity of the situation this is subject to change in the future;
- There are segments of the consolidated entity’s business that have been negatively impacted by these events, such as sales to retail stores and hospitality outlets, and segments that have been positively impacted as a result of these measures, including e-commerce and grocery customers. While the consolidated entity’s revenue has increased since the beginning of the pandemic, the situation in the US remains fluid and it is still too early to tell how revenue, earnings and cash flow for FY2020 will be impacted by the measures required by COVID-19; and
- The consolidated entity’s board of directors and management continually review and revise Candy Club’s 2020 operating plans, including operating expense management solutions and associated cashflow budget, to adapt to the impact of the ongoing COVID-19 crisis.

Management continues to monitor other possible impacts associated with COVID 19. Management also recognises that the situation associated with the management of COVID-19 continues to evolve on a daily basis and it is difficult to estimate with any degree of certainty the resulting impact (financial and operational) which this may have on Candy Club and its future results and financial position.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

____
Keith Cohn
Executive Director

31 August 2020

HLB MANN JUDD

Independent Auditor's Review Report to the Members of Candy Club Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Candy Club Holdings Limited ("the company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 Going Concern, in the financial report, which indicates that the Group incurred a net loss after tax of US$2,492,608 during the period ended 30 June 2020 and, as of that date, the Group had a net deficiency of assets over liabilities by US$327,284 (a deficiency of US$1,172,549 as at 31 December 2019). As stated in Note 1 Going Concern, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

HLB Mann Judd (VIC Partnership) ABN 20 696 861 713
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001
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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Melbourne
31 August 2020

Jude Lau
Partner

Candy Club Holdings Limited
Contents
30 June 2020

General information

The financial statements cover Candy Club Holdings Limited as a consolidated entity consisting of Candy Club Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in US dollars, which is Candy Club Holdings Limited's functional and presentation currency.

Candy Club Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Suite 103, Level 1 2 Queen Street Melbourne VIC 3000, Australia	5855 Green Valley Circle Suite 101 Culver City, CA 90230

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020.

Candy Club Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020

	Note	Consolidated June 2020 US$	Consolidated Restated June 2019 US$
Revenue	4	3,417,716	2,742,960
Other income		6,577	-
Interest revenue calculated using the effective interest method		29	123
Expenses			
Cost of goods sold		(1,984,424)	(2,062,274)
Corporate and administration expenses		(1,006,748)	(305,917)
Marketing and promotional expenses		(909,910)	(701,861)
Employee benefits expense		(1,232,643)	(1,414,949)
Development expenses		(72,861)	(93,160)
Depreciation and amortisation expense		(83,427)	(93,345)
Technology expenses		(90,089)	(97,153)
Property expenses		(5,521)	(46,711)
Other expenses		(274,544)	(266,923)
Finance costs		(256,763)	(95,459)
Loss before income tax expense		(2,492,608)	(2,434,669)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Candy Club Holdings Limited		(2,492,608)	(2,434,669)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(34,553)	(34,316)
Other comprehensive income for the half-year, net of tax		(34,553)	(34,316)
Total comprehensive income for the half-year attributable to the owners of Candy Club Holdings Limited		(2,527,161)	(2,468,985)
		Cents	**Cents**
Basic earnings per share	15	(1.10)	(1.87)
Diluted earnings per share	15	(1.10)	(1.87)

Refer to the Note 1 "Change in Presentation Currency" for details of the restatement resulting from the consolidated entity's change in presentation currency.

Candy Club Holdings Limited
Statement of financial position
As at 30 June 2020

	Note	June 2020 US$	Consolidated Restated December 2019 US$	Restated December 2018 US$
Assets				
Current assets				
Cash and cash equivalents		640,143	543,342	8,820
Trade and other receivables		286,765	248,435	121,729
Inventories	5	2,773,755	2,397,716	1,728,856
Other		375,132	73,713	596,404
Total current assets		4,075,795	3,263,206	2,455,809
Non-current assets				
Property, plant and equipment		13,893	23,876	45,911
Right-of-use assets	6	367,530	419,692	-
Intangibles		34,625	55,907	5,152
Other		25,000	25,000	53,418
Total non-current assets		441,048	524,475	104,481
Total assets		4,516,843	3,787,681	2,560,290
Liabilities				
Current liabilities				
Trade and other payables	7	2,006,832	2,887,927	2,963,869
Borrowings	8	1,434,177	1,649,495	408,000
Lease liabilities		72,562	174,713	-
Provisions		-	50,000	-
Other		-	-	123,198
Total current liabilities		3,513,571	4,762,135	3,495,067
Non-current liabilities				
Borrowings	9	1,160,843	-	-
Lease liabilities		169,713	198,095	-
Total non-current liabilities		1,330,556	198,095	-
Total liabilities		4,844,127	4,960,230	3,495,067
Net liabilities		(327,284)	(1,172,549)	(934,777)
Equity				
Issued capital	10	17,830,490	15,344,101	11,386,068
Reserves	11	(9,274,830)	(10,126,314)	(11,384,025)
Accumulated losses		(8,882,944)	(6,390,336)	(936,820)
Total deficiency in equity		(327,284)	(1,172,549)	(934,777)

Refer to the Note 1 "Change in Presentation Currency" for details of the restatement resulting from the consolidated entity's change in presentation currency.

The above statement of financial position should be read in conjunction with the accompanying notes

Candy Club Holdings Limited
Statement of changes in equity
For the half-year ended 30 June 2020

Consolidated	Issued capital US$	Reserves US$	Accumulated Losses US$	Total deficiency in equity US$
Balance at 1 January 2019 - restated	11,386,068	(11,384,025)	(936,820)	(934,777)
Loss after income tax expense for the half-year	-	-	(2,434,669)	(2,434,669)
Other comprehensive income for the half-year, net of tax	-	(34,316)	-	(34,316)
Total comprehensive income for the half-year	-	(34,316)	(2,434,669)	(2,468,985)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,778,392	-	-	2,778,392
Share-based payments	-	376,652	-	376,652
Balance at 30 June 2019 - restated	14,164,460	(11,041,689)	(3,371,489)	(248,718)

Consolidated	Issued capital US$	Reserves US$	Accumulated Losses US$	Total deficiency in equity US$
Balance at 1 January 2020 - restated	15,344,101	(10,126,314)	(6,390,336)	(1,172,549)
Loss after income tax expense for the half-year	-	-	(2,492,608)	(2,492,608)
Other comprehensive income for the half-year, net of tax	-	(34,553)	-	(34,553)
Total comprehensive income for the half-year	-	(34,553)	(2,492,608)	(2,527,161)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 10)	2,486,389	-	-	2,486,389
Share-based payments	-	886,037	-	886,037
Balance at 30 June 2020	17,830,490	(9,274,830)	(8,882,944)	(327,284)

Refer to the Note 1 "Change in Presentation Currency" for details of the restatement resulting from the consolidated entity's change in presentation currency.

Candy Club Holdings Limited
Statement of cash flows
For the half-year ended 30 June 2020

	Consolidated June 2020 US$	Restated June 2019 US$
Cash flows from operating activities		
Receipts from customers	3,379,386	2,579,234
Payments to suppliers and employees	(5,335,157)	(6,087,114)
	(1,955,771)	(3,507,880)
Interest received	29	123
Other revenue	6,577	-
Interest and other finance costs paid	(235,695)	(95,855)
Net cash (used) in operating activities	(2,184,860)	(3,603,612)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(5,000)
Payments for deposits on property, plant and equipment	-	(50,685)
Net cash (used) in investing activities	-	(55,685)
Cash flows from financing activities		
Proceeds from issue of shares and options	157,092	3,547,449
Proceeds from shares yet to be issued	34,315	-
Proceeds from borrowings	2,538,622	1,154,144
Share issue transaction costs	(15,055)	(295,146)
Repayment of borrowings	(299,028)	(651,377)
Repayment of lease liabilities	(130,533)	(92,115)
Net cash from financing activities	2,285,413	3,662,955
Net increase in cash and cash equivalents	100,553	3,658
Cash and cash equivalents at the beginning of the financial half-year	543,342	8,819
Effects of exchange rate changes on cash and cash equivalents	(3,752)	525
Cash and cash equivalents at the end of the financial half-year	640,143	13,002

Refer to the Note 1 "Change in Presentation Currency" for details of the restatement resulting from the consolidated entity's change in presentation currency.

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the period ended 31 December 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Change in presentation currency
As announced on 8 July 2020, during the current half year the board have opted to change the presentation currency to US dollars, because it is the consolidated entity's functional currency and better reflects its financial performance and position. It is also the currency used by the board to measure and assess the consolidated entity's performance.

A change in presentation currency represents a change in an accounting policy in terms of AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, requiring the restatement of comparative information. In accordance with AASB 121 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from Australian dollars into US dollars.

- Non-US dollar assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period;
- Non-US dollar items of income and expenditure and cash flows were translated at the average exchange rates for the relevant period; and
- The effects of translating the consolidated entity’s financial results and financial position into US dollar were recognised in the foreign currency translation reserve.

The exchange rates used when performing the restatement from Australian dollars, that are relevant to this report are summarised below:

	Closing	Average
31 December 2018	0.7058	0.7201
30 June 2019	0.7013	0.7061
31 December 2019	0.7006	0.6951

The effect of the change on statement of financial performance for financial half-year ended 30 June 2019 is summarised below:

	$AUD	Exchange rate	$US
Revenue	3,884,779	0.7061	2,743,083
Less expenses	(7,332,853)	0.7061	(5,177,752)
Loss after income tax	(3,448,074)		(2,434,669)
Basic earnings per share	2.65	0.7061	1.87
Diluted earnings per share	2.65	0.7061	1.87

Note 1. Significant accounting policies (continued)

The effect of the change on statement of financial position at 31 December 2019 is summarised below:

	$AUD	Exchange rate	$US
Current assets	4,657,732	0.7006	3,263,206
Non-current assets	748,608	0.7006	524,475
Current liabilities	(6,797,225)	0.7006	(4,762,135)
Non-current liabilities	(282,751)	0.7006	(198,095)
	(1,673,636)		(1,172,549)

Comparative figures
During the financial half-year certain items have been reclassified to ensure accurate disclosure. Comparative information has been reclassified to be consistent with current year disclosures.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new standards did not impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of US$2,492,608 for the half year ended 30 June 2020, and had negative cash flows from operating activities of $US 2,371,969.

The directors have reviewed the cashflow forecasts and believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern due to the following factors:

- On 24 July 2020, the company issued 19,646,310 fully paid ordinary shares raising $US 1,749,770 (AU$2,455,788) before costs;
- The consolidated entity is executing well on the business pivot it initiated in 2019 to focus more heavily on scaling its B2B business while running its B2C business for maximum return on investment. In the first six months of 2020 the B2B business has already achieved a nearly 100% increase over the full year 2019 revenue level by adding several national, name-brand retailers and developing a robust e-commerce business to serve smaller customers;
- The consolidated entity's products continue to sell well at retail, driving strong reorder rates by its top customers, approximately 95% of whom reordered in the first 6 months of 2020;
- Improving gross margins, an improved financial position and a lean operating structure have the consolidated entity poised to eliminate cash burn throughout 2020 as it targets profitability in the 2021 year;
- The consolidated entity has entered into financing agreements with both an inventory lender and an accounts receivable lender to provide additional working capital to the business based on the value of these assets. On 2 July 2020, the consolidated entity secured a further US$500,000 from its current lender for additional working capital;
- Total expenses include non-cash expenses totalling $US 1,124,524 which have been settled through the issue of equity instruments; and
- The company has the ability to raise additional capital under its 15% general placement capacity and is currently negotiating with several parties about securing additional equity investment in the company.

Note 1. Significant accounting policies (continued)

Accordingly, the directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. In the event that the consolidated entity is unsuccessful in implementing the above-stated initiatives, a material uncertainty exists, that may cast significant doubt on the consolidated entity's ability to continue as a going concern and its ability to recover assets and discharge liabilities in normal course of business and at the amounts shown in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

Note 2. Impact of COVID 19 Pandemic

During the current financial half-year the COVID 19 pandemic had a significant impact on the global economy. In response to the pandemic, the US, state and local governments announced a series of measures aimed at preventing the spread of COVID-19 (“measures”), which had the subsequent effect of impacting the state of the US economy (i.e. impact on supply chain, customers, availability of finance, consumer confidence, etc).

In addressing and implementing the necessary changes to ensure Candy Club comply with these measures, the Board implemented, amongst others, the following:

- Enacting Candy Club’s stated business continuity plan of enabling all consolidated entity employees, including head office and sales staff, to work remotely, until further notice;
- To date, no business interruptions have occurred in either the consolidated entity’s warehousing and distribution center operations, located primarily in Indiana, nor in its supply chain of core product or packaging vendors, as we and our facility are classified as a food manufacturer and currently considered “essential critical business infrastructure”; given the fluidity of the situation this is subject to change in the future;
- There are segments of the consolidated entity’s business that have been negatively impacted by these events, such as sales to retail stores and hospitality outlets, and segments that have been positively impacted as a result of these measures, including e-commerce and grocery customers. While the consolidated entity’s revenue has increased since the beginning of the pandemic, the situation in the US remains fluid and it is still too early to tell how revenue, earnings and cash flow for FY2020 will be impacted by the measures required by COVID-19; and
- The consolidated entity’s board of directors and management continually review and revise Candy Club’s 2020 operating plans, including operating expense management solutions and associated cashflow budget, to adapt to the impact of the ongoing COVID-19 crisis.

Management continues to monitor other possible impacts associated with COVID 19. Management also recognises that the situation associated with the management of COVID-19 continues to evolve on a daily basis and it is difficult to estimate with any degree of certainty the resulting impact (financial and operational) which this may have on Candy Club and its future results and financial position.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment, being the candy distribution in the United States of America. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The consolidated entity operates the business of selling candies. During the financial half-year, it continues to manage the B2B business line as part of the overall candy selling business, whereby no discrete financial information between the B2C and B2B lines is maintained other than the revenue generated. The Board being the chief operating decision maker monitors the financial performance and position of the group as a whole and not by the business line. To this end, the group has been assessed as one business segment during the half-year ended 30 June 2020. Refer to note 4 for split of total revenue per business line.

Note 4. Revenue

	Consolidated	
	June 2020 US$	Restated June 2019 US$
Sales of goods	3,417,716	2,742,960

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	June 2020 US$	Restated June 2019 US$
Revenue streams		
Business to customer	1,163,712	2,212,985
Business to business	2,254,004	529,975
	3,417,716	2,742,960
Geographical regions		
United States of America	3,417,716	2,742,960
Timing of revenue recognition		
Goods transferred at a point in time	3,417,716	2,742,960

Note 5. Current assets - inventories

	Consolidated	
	June 2020 US$	Restated December 2019 US$
Stock on hand - at cost	2,961,072	3,043,715
Less: Provision for impairment	(187,317)	(645,999)
	2,773,755	2,397,716

Note 6. Non-current assets - right-of-use assets

	Consolidated June 2020 US$	Consolidated Restated December 2019 US$
Leased buildings - right-of-use	275,806	275,806
Less: Accumulated depreciation	(53,962)	(17,987)
	221,844	257,819
Plant and equipment - right-of-use	161,873	161,873
Less: Accumulated depreciation	(16,187)	-
	145,686	161,873
	367,530	419,692

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Plant and equipment US$	Land and buildings US$	Total US$
Balance at 1 January 2020	161,873	257,819	419,692
Depreciation expense	(16,187)	(35,975)	(52,162)
Balance at 30 June 2020	145,686	221,844	367,530

Note 7. Current liabilities - trade and other payables

	Consolidated June 2020 US$	Consolidated Restated December 2019 US$
Trade payables	1,624,799	1,429,421
Funds received ahead of shares issued	34,315	1,050,900
Other payables	347,718	407,606
	2,006,832	2,887,927

All trade and other payables are unsecured.

Note 8. Current liabilities - borrowings

	Consolidated	
	June 2020 US$	Restated December 2019 US$
Loans - short term from director related entities (unsecured)	1,301,728	1,220,998
Loan - credit facility (secured)	129,469	428,497
Loan - other short term (unsecured)	2,980	-
	1,434,177	1,649,495

Short term borrowings
The short term finance includes loans totalling $US1,250,000 plus accrued interest which is payable at 1% per month. The loans are capable of being converted into equity. There is not a fixed number of shares to be issued on conversion and for this reason the loans have been disclosed as debt instruments.

Credit facility
Interest accrues daily on the credit facility as simple interest (non-compounding) on the principal balance outstanding at a rate of 16%. The loan is secured against the assets of the consolidated entity. There have been no defaults on this loan during the period.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	June 2020 US$	Restated December 2019 US$
Loan - credit facility (secured)	872,221	-
Payroll Protection Program loan	288,622	-
	1,160,843	-

Credit facility
At 30 June 2020, the credit limit on this facility was $1,000,000 which was fully utilised. Debt issuance cost of $127,779 have been recognised. On 2 July 2020, the credit limit was increased to $1,500,000.

Interest is payable at a per annum rate equal to the greater of (i) the Three Month Libor rate plus 4.19% or (ii) 5.5%. The loan has a 24 month term is secured by a lean over the consolidated entity's inventory balance. There have been no defaults on this loan during the period.

Payroll Protection Program loan
In Quarter 1 2020, the consolidated entity received $288,622 from a Bank for funding under the Payroll Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.

Note 10. Equity - issued capital

	Consolidated			
	June 2020 Shares	Restated December 2019 Shares	June 2020 US$	Restated December 2019 US$
Ordinary shares - fully paid	236,154,112	174,911,079	17,830,490	15,344,101

Movements in ordinary share capital

Details	Date	Shares	Issue price	US$
Balance	1 January 2020	174,911,079		15,344,101
Shares issued to settle trade and other payable	17 January 2020	4,516,978	US$0.053	238,487
Issue of shares	17 January 2020	18,750,000	US$0.045	840,328
Shares issued on conversion of debt and accrued interest	17 January 2020	31,801,055	US$0.042	1,328,404
Issue of shares	17 April 2020	6,175,000	US$0.017	94,225
Less cost of capital raised		-	US$0.000	(15,055)
Balance	30 June 2020	236,154,112		17,830,490

Note 11. Equity - reserves

	Consolidated	
	June 2020 US$	Restated December 2019 US$
Foreign currency reserve	81,899	116,452
Share-based payments reserve	3,032,248	2,146,211
Commonly controlled reserve	(12,388,977)	(12,388,977)
	(9,274,830)	(10,126,314)

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency US$	Share-based payments US$	Commonly controlled US$	Total US$
Balance at 1 January 2020	116,452	2,146,211	(12,388,977)	(10,126,314)
Foreign currency translation	(34,553)	-	-	(34,553)
Share-based payments	-	886,037	-	886,037
Balance at 30 June 2020	81,899	3,032,248	(12,388,977)	(9,274,830)

Note 12. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Related party transactions

Parent entity
Candy Club Holdings Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
		Restated
	June 2020	June 2019
	US$	US$
Other expenses:		
Interest accrued to key management personnel and their related entities.	148,847	10,599

James Baillieu and Chi Kan Tang have both elected to forgo their directors' fees during the current financial half-year.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
		Restated December
	June 2020	2019
	US$	US$
Current payables:		
Other payables to key management personnel	43,532	192,122
Interest payable to key management personnel and their related entities	51,728	82,412
Funds received ahead of shares issued	34,315	1,050,900

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
		Restated December
	June 2020	2019
	US$	US$
Current borrowings:		
Loan from key management personnel and their related entities *	1,301,728	1,136,658

* The short term finance includes loans totalling $US1,250,000 plus accrued interest which is payable at 1% per month. The loans are capable of being converted into equity. There is not a fixed number of shares to be issued on conversion and for this reason the loans have been disclosed as debt instruments.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 14. Events after the reporting period

On 2 July 2020, the consolidated entity secured a further US$500,000 from its current lender for additional working capital.

On 24 July 2020, the company issued 19,646,310 fully paid ordinary shares raising $US 1,749,770 (AU$2,455,788) before costs.

Note 14. Events after the reporting period (continued)

On 13 August 2020, the company issued 1,581,870 fully paid ordinary shares valued at US$78,582 (AU$110,000) in lieu of consultancy fees payable to a director. On the same day the company issued a further 1,250,000 fully paid shares and CLBO listed options valued at a total of $US34,315 (AU$50,000). The funds in relation to these shares was received before 30 June 2020 and is included in trade and other payables.

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the consolidated entity at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the consolidated entity’s operations, its future results and financial position. The state of disaster in Victoria was declared on 16 August 2020 until 13 September 2020 and the state of disaster still in place. The consolidated entity's operations in Victoria are of a scale and nature that they have not been significantly impacted.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

	Consolidated	
	June 2020 US$	Restated June 2019 US$
Loss after income tax attributable to the owners of Candy Club Holdings Limited	(2,492,608)	(2,434,669)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	227,346,108	130,021,805
Weighted average number of ordinary shares used in calculating diluted earnings per share	227,346,108	130,021,805
	Cents	**Cents**
Basic earnings per share	(1.10)	(1.87)
Diluted earnings per share	(1.10)	(1.87)

Note 16. Seasonality of operations

The consolidated entity derives its revenues from candy distribution in the United States. Due to events including Halloween, Thanksgiving and Christmas, the consolidated entity tends to generate a higher revenue in the second half of the year, than the current half year.

Candy Club Holdings Limited
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, based on the factors outlined in Note 1 Going Concern of the financial statements.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Keith Cohn
Executive Director

31 August 2020

Independent Auditor's Review Report to the Members of Candy Club Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Candy Club Holdings Limited ("the company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 Going Concern, in the financial report, which indicates that the Group incurred a net loss after tax of US$2,492,608 during the period ended 30 June 2020 and, as of that date, the Group had a net deficiency of assets over liabilities by US$327,284 (a deficiency of US$1,172,549 as at 31 December 2019). As stated in Note 1 Going Concern, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Melbourne
31 August 2020

Jude Lau
Partner